

## **Review of Experiences on Market Oriented Agricultural Advisory Services (MOAAS)**

### **Extension and Training Support Project, Vietnam**

**Country:** Vietnam

**Name of intervention:** Extension and Training Support Project for Forestry and Agriculture in the Uplands (ETSP)

**Time period under analysis:** January 2003 to December 2006 (= 1<sup>st</sup> phase period)

**Institutions/agencies involved:** Ministry of Agriculture and Rural Development/SDC (donor) /various provincial/district/commune government agencies, private households and household-groups, service providers, Helvetas as implementing agency.

**Brief summary of intervention objectives:** In line with the Vietnamese government's and SDC's development strategies ETSP focuses on three areas of interventions: poverty reduction, sustainable natural resource management, capacity development and building. **Goal:** The project shall provide cost-effective, demand driven systems of extension and training to upland farmers and service providers for enhanced sustainable resource management and improved household livelihoods. The project works in three provinces on three levels: In selected communes and districts extension approaches and methods are developed and tested. As a core principle the project always works through existing government agencies and private service providers. The gained experience is shared on provincial level and used for institutional development processes of the extension service providers. Lessons learnt are fed to forums on national level to contribute to the elaboration of national extension training strategies and up scaling. After a number of pilots ETSP introduced a prominent market orientation in 2005 only after a substantial national policy shift. After the production of training material a capacity building action (train-the-trainers) on market orientation will take place in the second half of 2006. Presentable outputs will be available in 2007 only. Phase budget: USD 6'500'000.

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## Question 1: What are the settings and arrangements for MOAAS?

### 1.1 a) What does your agency hope to achieve by contributing to MOAAS and b) how does this relate to your agency's overall goals?

a) Enabling poor farmers in upland and remote areas to increase and diversify income

b) Specific sub-objective of the Helvetas Program Strategy 2006 – 2010: Working area

**Sustainable Management of Natural Resources** ...*the strengthening of farmers' organisations, the promotion of small enterprises in the primary sector and the establishment of regional and international market chains.*

### 1.2 What is the context of the MOAAS intervention?

#### - Vietnam:

- Communist country in a process of economic and political opening; high economic growth rates in the industrial sector and in productive low-land agriculture (general GDP growth over the last ten years: 7.5%, agricultural GDP growth 2005: 12%)
- Market oriented economy thinking and acting versus rural/remote, command dominated environment with strong production and market controls through government.

#### - Upland areas are characterized by:

- Poverty areas are located in the remote hilly uplands where many different ethnic groups are living
- Command and control oriented ethnic minority policy with main effect on remote, upland, poor areas where minority groups are living ever since. This policy tends to suppress local initiatives as it increases people's expectations for further government support
- Distant lucrative (urban) markets, which can be easier served by low land production
- Scarce infrastructure (roads, transport systems, communication) compared to the low land areas; but substantial investments are being made (road, electrification, water access) in an incredible speed
- Comparatively low educational level; language issue (ethnic minorities)
- Insecure land tenure (agricultural land); first timid attempts for community forestry
- Dependence on agro-ecological factors (climate, water, soils, forest cover), prone to risk of over-utilization by steered government subsidy and price dictation

#### - The extension policy and system are characterized by:

- High diversity of public extension agencies down to the district level; public extensionists on the commune level; in the uplands absence of private extension service providers; weak civil society in the rural upland areas except the so called "mass-organisations" (e.g. women union)
- Missing understanding at lower/remote extension service level of market performance and its connection to and influence on production
- Extension is often understood as instruction, e.g. to force to grow imported (hybrid) crops, which tend to extinct local niche production
- Uncommon mixture of affirmative policy framework to support (liberal decrees) and distort (subsidies) market orientation similar to Switzerland's

agricultural sector but with higher effects, even world wide (e.g. coffee in the highland areas of Vietnam)

- Ongoing Public Administration Reform aiming at higher efficiency of public service delivery; progressing decentralization with growing responsibilities of the lower level of the government system

### **1.3 What are the particular constraints for farmers to connect to markets?**

- Constraints for production: small land holdings, land allocation not done correctly, difficulties to get access to credit and production means/inputs, lack of technical knowledge to improve quality or increase quantity of production
- Constraints for trading
  - Barriers to entry: distant markets, legal rights and ownerships (tenancy possible only)
  - Risks: land tenancy, not owning the land;
  - High transaction costs particularly in remote upland areas
  - Lack of information (especially credible information on market and prices)
  - Lack of social capital (networks, groups) to access markets
  - Economies of scale difficult to achieve if not subsidized
  - Lack of capacity and competence in linking production with markets
  - Strong and controlled intermediary trader system, partly semi-government or government dominated

### **1.4 Who provides the MOAAS services, how do they operate, what services are provided?**

- A diverse public extension system from province to district level; commune extension workers foreseen in new extension decree; partly in place
- The provision of MOAAS services has become the mandate of the government extension workers. However, they mainly provide production techniques; market and marketing related knowledge, skills and attitudes missing
- International non-profit NGOs and donor support projects through capacity development and building interventions for both, farmers and institutions
- Increasing number of producer cooperatives/associations. At the moment their services include organising buying/selling inputs/production means to farmers/their members. Sometimes, they are acting as intermediary link between farmers and processing companies. The producer cooperatives also train their members and provide market and price information
- Input traders or intermediary traders play an important role in providing market services to farmers, especially market information, credit (through pre-finance) and contracting
- In the low-lands (but not in the poor upland areas):
  - Processing companies purchase raw materials from farmers through contract system
  - Private enterprises: provide capacity building, market information, contracting
  - An increasing number of agro-businesses (through contract farming) prone to risk of over utilization of natural resources

### **1.5 How does ETSP support service providers for MOAAS?**

- Raise awareness of local government staff on the importance of product and market analysis and marketing issues
- Invest in capacity building on market interventions, marketing value chains, market approach methods (Rapid Market Appraisal, RMA), general understanding of markets and

- its functions/linkages to production for different stakeholders (especially government agencies who are involved in rural development, local consultancy firms/individuals
- Support to market analysis of products. Analysis results serve as basis for market viable interventions by donors/government/or by farmers themselves
  - Make all involved stakeholders aware of the government's new enabling policy environment for MOAAS (e.g. new Extension "Decree 56" which opens up a liberal orientation in rural areas where still a strongly command-dominated structure prevails)

## **1.6 Which insights and lessons can be learnt from the case, e.g., good practices, obstacles, pitfalls?**

- New and MOAAS-friendly government policy environment needs to be built into project and program interventions. This means a lot of "pioneering".
- The main challenge is to reach an attitude change among the public servants, which includes a basic understanding of markets and a positive attitude towards the private sector. This requires for example training materials and then a series of training events – a process in which ETSP is presently involved. An attitudinal change may also require the participatory development of new extension strategies and they in turn may require institutional development processes – other processes that belong to the activities of ETSP.
- Remote upland areas are likely to remain unattractive for business investments and may require a justified government support over a long period. It is important that support will be done "wisely" to not distort markets and to avoid the current situation where mainstream extension messages rather suppress innovations than further them. An interesting mechanism is payment for environmental services (PES), which may be further explored.
- Besides sustainability any intervention must pay attention to inclusiveness and equity. There is a tendency towards the same effects as in so many other places: the rich get richer, the poor get poorer; through development there is more income but also higher corruption

## **Question 2: Who are the clients of MOAAS?**

### **2.1 How many and what types of farmers use the services?**

- The direct clients of ETSP's interventions are the service providers. The project does deal directly with farmers but only for the sake of piloting new approaches. The relevant question therefore is how many farmers can be reached through the trained / improved etc. service providers.
- The ultimate target population is individual or at times organised farmers, usually on an individual smallholder production scale and or in a cooperative production system; these producers follow a close to subsistence production system with usually one or several production branches for cash. The cash production includes among others livestock rearing, non-timber forest products, etc.
- The following output figures from ETSP's annual report 2005 provide an idea of the order of size of the project's activities.
  - o 479 activities in total in all three provinces (Hoa Binh: 162, TT-Hue: 160, Dak Nong: 157).
  - o 5263 government staff and key farmers attended training courses (ETSP's capacity building component) of which 1'800 are women and 3'463 men.
  - o 55 workshops have been supported by ETSP; 27 of them were reflection workshops helping spread and scaling-up methods, approaches, processes and its partner's gained lessons learnt.
  - o 20 exchange visits and study tours were initiated.

- 11 best practices were documented and shared among provincial partners and at central level.

## **2.2 Do the actual clients correspond with the types of farmers the service intends to work with?**

- In principal yes because the geographical target area is the area where the poor, upland, ethnic minority groups are living.
- However, to reach with a “Market for the Poor” approach the poorest of the poor is difficult if not an illusion. Sometimes, the main targets of the intervention are the poor, but the direct beneficiaries are the better-off among the poor. The reason is that the service provided should be demand-driven, market based and built on a potential. Sometimes the real poor farmers cannot afford to be innovative.

## **2.3 How are the clients involved in markets?**

- This question is not easy to answer as it depends on the individual case of every market chain of a product. We reply based on one example, the Kha piggery cooperative, Kha village, Quy Hoa commune, Lac Son District, Hoa Binh Province. The case-study is attached
- The targeted markets range from local to urban, for certain products (NTFPs) to the capital Hanoi or even for export. But generally speaking the local / regional markets are more important. In the case of the pigs from the case study the main market is the provincial capital with around 200’000 inhabitants
- The main products include life animals (cattle, pigs, and poultry) and a large variety of NTFPs (medicinal plants, orchids, bamboo, rattan, mushrooms etc.). Drying and grading is common. Some of the NTFPs are processed.
- The most common marketing channel is through middlemen. Due to the remote location of the villages direct marketing is rather rare. Increasingly producers unite for joint marketing as the piggery example illustrates. Most marketing contracts are informal. Only in case of large processing companies that procure in bulk formal contracts exist. The vertical market integration is generally very weak. The project is addressing this circumstance through its interventions. Market information is a bottleneck.

## **2.4 What motivates farmers to use MOAAS?**

### [Same example at under 2.3/of Quy Hoa Commune](#)

- Opportunities to limit production risks: By involving in group production it is easier to get technical support from local extensionists and veterinary staff; pig diseases will be controlled
- Opportunities to increase profitability of production by reducing production and marketing costs (transportation cost) and strengthen bargaining position
- Opportunities to get credit from local bank with low interest (as government bank give priorities to farmer groups)
- Opportunities to access to different services, e.g. training, market information
- Opportunities to improve knowledge and skills in market analysis and marketing issues
- Opportunities to sell at a higher price thanks to improved bargaining position and better knowledge of customers’ demands,

## **2.5 Are there other clients to MOAAS services supported by the project than farmers?**

- As explained the actual clients of the project are the service providers

- The service providers include the public extension system, which in Vietnam is attached to several different lines of the agriculture and forestry line ministries (central) and departments (provincial; plant protection, veterinary services etc.). Besides the public system there are university institutes, individual consultants and private firms (increasingly) involved in extension

## **2.6 Which insights and lessons can be learnt from the case, e.g., good practices, obstacles, pitfalls? *Lessons learned about the clients of MOAAS***

- The clients of MOAAS should be diverse, including both, formal and informal organizations, governmental and private institutions.
- These organisations will provide a diversity of market services to farmers

## **Question 3: What approaches and methods are used by the project for MOAAS?**

### **3.1 What kind of services do MOAAS deliver?**

- ETSP supports the service providers through capacity building (training, experience sharing, study tours, scholarships etc.) and institutional development (development of extension strategies and systems, organizational development such as job descriptions) and networking (research – extension linkages, extension related research such as gender, ethnic minorities and extension)
- The capacity development includes the elaboration of Vietnam specific (adapt-test-adapt) handbooks and training materials on market principles and analysis methods (such as RMA), which then are used for a cascade training system (training of trainers)
- The service providers in turn train and advise farmers / farmers groups as described in the attached piggery case. The main steps include context analysis, participatory planning of village priorities, exposure trips, market appraisal, market information analysis and presentation, group formation, elaboration of an action / business plans; anchoring the planned activities with the local authorities, facilitate access to credit, production advice, and facilitating access to markets.
- An additional function rendered by the project is linking service providers with extension partners at provincial/district/commune levels

### **3.2 How do the MOAAS providers and the clients relate to each other?**

- As explained marketing advisory services form part of the duties of the public extension system. On the lowest level the agricultural extensionists are part of the commune staff and therefore accountable to the commune leadership. On district and provincial level extension is topic-specific and belongs to different departments
- The principal planning tool that assures needs orientation and accountability of the service providers to the eventual clients are village development plans (VDP) that are aggregated to commune development plans (CDP). These plans usually include market-oriented actions too. The communes submit the relevant parts of the plans to the service providers on district or province level
- The project (ETSP) plays in this set-up a catalyst role with the possibility to finance innovative elements out of the VDPs/CDPs. The project enters with the service providers and the relevant governmental authorities into a contractual relationship (activity sheet and reports, AS and FAR). These agreements are closely monitored (new at testing level output payment based) and include a strong control function at keep corruption at low level
- A training quality system (TQS) and the above described contract system (AS, FAR) is the projects quality management system. The concerned Vietnamese authorities consider integrating this management tool in their ordinary procedures. However, approvals need to go a long and bureaucratic way; continuity is important.

### 3.4. How are innovations in MOAAS being upscaled?

- The principal set-up of ETSP is designed to upscale successful field results with policy bodies at different levels (district/provinces/central government) through documentation, reflection workshops and other happenings (exchange visits, study tours) ETSP is for example core-member in the National Working Group on Community Forest and collaborates with the National Agricultural Extension Center
- There are a number of examples where extension methods, approaches that were developed with the support of ETSP have been up-scaled. Most important is probably the piloting and up-scaling of community forestry where the project has been instrumental for the formulation of the related law on national level. Since the marketing activities are still young there isn't yet an example of up-scaling
- However, the development of handbooks and training materials which include practical experiences is an up-scaling and training effort in itself

### 3.5 Which insights and lessons can be learnt from the case, e.g., good practices, obstacles, pitfalls?

- Slow process in capacity development due to missing training materials; many existing documents in Vietnamese elaborated in a “quick and dirty” manner which is of no use; considerable investment by the project to produce high quality training products for market oriented approaches (marketing guide handbook, RMA training documentation at final stage)
- The chosen approach (needs identification – training material production – cascade training for service providers) is time consuming until results at field level can be shown. This demands a long breath on the side of the donor, something that is increasingly lacking in development cooperation
- The project has a smart design to up-scale lessons learnt and is well positioned to anchor lessons learnt in the concerned Vietnamese institutions and relevant policies. With this the project perfectly fits to the spirit of aid harmonisation. But again, these are long lasting processes, which demand patience

## Question 4: What are the outcomes and impacts of MOAAS?

### 4.1 How is the project's MOAAS helping farmers to deal with market constraints?

- Providing access to market information
- Providing capacity building for extensionists and service providers which aims to:
  - Support farmer or farmer groups to do their own market research through adapted method training
  - Support farmers to increase production and productivity (Participatory Technology Development, Farmer Field Schools)
  - Support farmers' strategic choices by enabling them to analyse potential profitability and make informed decisions about what risks to take when entering new markets
  - Supporting farmers to deal with quality requirements
  - Matchmaking between farmers and traders and processors

### 4.2 What are the outcomes/impacts of MOAAS?

- In the given situation it is difficult to assess the impact of MOAAS a) because it is premature and b) because of the “attribution gap”. Usually several factors lead to a measurable improvement of the livelihood such as a new infrastructure (road), knowledge and skills etc. ETSP conducted in the frame of the Impact Monitoring Assessment (IMA) a baseline survey in its pilot areas. When the socio-economic survey was repeated after two

years a general improvement of the living conditions could be shown (increased income, improved food security situation, created employment etc). These data are gender and wealth disaggregated. A direct attribution to the work of ETSP however remained impossible. The IMA is presently revised a) to simplify it, b) to make it applicable by the governmental partners of the project and c) to align it to the indicators of the Vietnamese Socio Economic Development Plan. This process will include a shift from the demand to measure “impact” to the more realistic objective to measure “outcome”.

- The measurable outcomes of ETSP will be at the level of the service providers, i.e. their market knowledge and skills, methodical skills (RMA, general market mechanisms). Possible but difficult to measure are attitudinal changes of the extension staff. Other outcomes will be extension strategies and systems that pay particular emphasis on marketing aspects, adapted institutional arrangements that allow the service providers to react to market aspects.

#### 4.3 Are there side-effects or unexpected outcomes of MOAAS?

- In general: too early to say.

#### 4.4. Which insights and lessons can be learnt from the case, e.g., good practices, obstacles, pitfalls?

These are general statements to developments in Vietnam, not focused on one project only:

- As many other interventions, impact of interventions on market have to be monitored and assessed. Should we think of an impact monitoring system for market interventions? This system will not only assess the impact, but also help government service to avoid market distortion or non-viable interventions. However, building and running such a system will be another complex issue like IMA and can only be done if local governments are willing to go for it (same like IMA).
- We have to face the somehow special market situation in Vietnam, in particular when it comes to land issues and where the state (owned enterprises) dictates price and production volume. This control is as mentioned above hindering a free market development on the one hand. On the other hand it is guaranteeing at least a certain income to rural remote areas. In a free market system the remote area people would suffer more as this region is not interesting for the private sector.
- Some INGOs including Helvetas did a subsidy survey in parts of Vietnam, report still pending and only available in draft form; can be sent if required

### Question 5: What is the role of development cooperation and other key stakeholders?

#### 5.1 What are the roles and functions of development agencies in MOAAS?

- ETSP – and with that SDC as development agency – takes three main roles according to the project’s design to work on three levels:
  - On field level the project finances pilots to **find new approaches and methods** that link production with markets. It designs interventions for testing, modeling, sharing, reflecting. This is the role of the innovator, facilitator, networker and provision of technical advice. Supply of inputs is avoided as far as possible for sustainability reasons.
  - On the meso-level the project has its focus on **capacity building and institutional development** of market oriented advisory services delivery. Thereby organizational development is an important pillar of MOAAS. It is very important in the current situation in which no specific agencies have a

specific mandate on market promotion. The roles here are technical advice, networker, and facilitator.

- On the provincial and national level the project feeds the lessons learnt into the **policy dialogue** for up-scaling and to contribute to a favorable policy framework. As part of the policy dialogue the development agencies always should stress pro-poor orientation, sustainability and equity.

## **5.2 What are the roles and functions of the government (local and national) in MOAAS? As this MOAAS approach in remote areas is still new we talk here about “future roles”**

- We explained that in the given example the public extension system has taken the task to provide market oriented advisory services. This includes funding pilots, provision of technical advice, organizational development of own institutions etc.
- Rural infrastructure, its provision and maintenance, is a fundamental precondition for successful marketing of agricultural products and value adding in remote locations. This includes access roads, bridges, energy supply and clean water. As mentioned, the Vietnamese government is progressing fast in this respect.
- Creation of enabling environment: Conducive policies are essential. Policies should ensure poverty orientation. Need of specific policies which favour remote and difficult areas and promote inclusion of small farmers and gender equity. Even if the national development plans stress poverty orientation there is still a lot to be done. In the context of marketing services favorable economic policies are important too (see above) in order to avoid market distortions.
- Vietnam’s economic growth is accompanied with a political opening, which is reflected in a public administration reform. Assuming that extension in upland areas will remain a public domain the interface between agricultural services and public administration is of outstanding importance. Examples are the link between participatory bottom up planning (village development plans) and centralized socio-economic planning; sector wide planning on lower administrative levels (district, province), output orientation of budget allocation of administration units in order to increase efficiency of service delivery; fiscal basis for lower administrative units (communes, districts) in order to finance own services.
- ETSP is involved in donor coordination by supporting the provincial authorities in creating respective platforms and by participating on national level in a range of working groups and policy platforms. However, donor coordination is still weak and not done due to risk of losing donor funding; local governments should force donors much more towards a better coordination/alignment which more takes place in Paris but not in the field

## **5.3 What are the roles of other stakeholders?**

- Other stakeholders involved: Mass organizations (farmer associations, women’s associations, VACVINA (VAC is an acronym of three Vietnamese words: VUON meaning garden or orchard, AO meaning fish pond, CHUONG meaning animal sheds): they are so strong, they must be integrated in local approaches when linking production with markets

## **5.4 What are the implications of these roles and functions?**

- With regard to the advisory services in Vietnam we expect that the progressing liberalization policies will create a dual extension system: a) for upland/poor/remote: subsidized public system and b) low land: shift to private consulting system via contract farming or product supply firms
- The public advisory system will increasingly be part and parcel of the ongoing public administration reform. In Vietnam in the coming years the main function of donors will be to support this reform.

- In about five years from now poverty in Vietnam will remain in very small pockets only. No need to continue development cooperation in Vietnam. The problem is that in particular many INGOs do not see this effect and insist to stay here (strange development)

### 5.5 Which insights and lessons can be learnt from the case, e.g., good practices, obstacles, pitfalls?

The Government is considered as initiator (this was the view of not only farmers but also government officers). Many government officers think that only they can support farmers. This attitude leads to a reduction in farmer pro-activeness and it devalues the private sector. This needs a change in the near future

## Question 6: What linkages exist between MOAAS and other types of services?

### 6.1 What other relevant services exist and how are they linked to MOAAS?

- Financial services:  
There are a number of credit programs that provide favourable conditions to producers, especially to the poor farmers. However, in reality, those programs are not running effectively due to non-transparent management mechanisms. The MOAAS of the project will try to support local banks/creditors to build up a transparent mechanism.
- Insurance:  
Too early to say something and too new in agriculture businesses and farmers in Vietnam. However, this will be important in the future.
- Transportation: Project has no intervention or links to this area as the Vietnamese government is pushing improvement of infrastructure (road) in upland through many big projects/programs. Improving every year, strong changes are to be expected in the coming five years.
- Marketing: Marketing service in agriculture has not developed yet. This is a new area and difficult to find good and competent service providers. However, marketing issues become increasingly important in agricultural sector.
- Processing companies: No activities/links till date

## Question 7: Which insights and lessons can be learnt from the case?

### 7.1 What are the lessons learnt in terms of:

- Intentionally ETSP has been chosen as an example for a case where MOAAS are a task of the **public advisory system**. This is the case because Vietnam is a communist country – though opening economically as well as politically. In addition and this is the prevalent situation in many other countries too, in the presented example there are no private advisory services reaching the poor remote upland areas, which are the target area of this project. Therefore, the case is suited to discuss the role of public service delivery for facilitating access to markets for poor remote upland farmers. What is the role of subsidies (provided by the state, not the project)? What policies are required to guarantee poverty reduction, equity and the development of markets? What is the impact of still state-controlled market prices?
- Although the experience of ETSP is still young because only a recent policy shift allowed a stronger focus on market aspects, we can already now see that the major challenge is to reach an **attitude shift** among the public service agents. The attitude shift is manifold: from instruction to problem solving assistance, from production targets to a demand orientation, from a production view to a market demand view, from mainstreaming to

promoting diversity etc. The project's approach to this is piloting, capacity building, institution development and policy dialogue.

- Almost equally challenging but easier to master is the required **capacity building** endeavors for the staff and institutions delivering the MOAAS. ETSP has been designed for this purpose with its three-layer approach (field / province / national) and with its huge training and capacity building programme. It is important to understand that “marketing” is only one focus among others in this set-up.
- ETSP's design a) pilots at field level, b) capacity and institution building for service providers and c) feeding lessons learnt into the policy dialogue on provincial and national level is in our view a success-model.
- ETSP's consequent work through existing service providers, its integration into the government advisory system responds to a large extent to the principal ideas of aid harmonisation.
- Since we are presenting here a case of a public advisory system issues related to governance such as decentralization and public administration reform are relevant and closely interlinked.

## 7.2 Describe good practices that you recommend for other MOAAS

The profile of the “Kha” piggery cooperative (see above and attached file) is recommended.

**Helvetas.** Farmer groups for the production and marketing in remote upland areas: From the reality of a piggery production group in Kha village Quy Hoa commune, Lac Son district, Hoa Binh province, Vietnam.